

Highlights

In a reversal of the trend toward much higher values seen during recent months, world crude oil prices fell during October. The sharp declines at the beginning of the month were driven primarily by technical factors associated with investments in commodities markets that trickled downstream to cash markets. Foremost among them was the reaction to preliminary reports indicating higher wellhead output rates for countries taking part in Organization of Petroleum Exporting Countries (OPEC)-sponsored production cut agreements. Up to this point, the cutbacks played a central role behind many key crude oil streams' prices more than doubling since February. The output reductions helped alleviate the glut of the product in international markets. The surplus was largely caused by two consecutive mild winters in the Northern Hemisphere, enervated demand from Asian markets, and the return of Iraqi crude oil exports. With the possibility of more product reaching the market, the opportunity to make appreciable gains on holdings appeared less likely to investors. A call early in the month for sales from the U.S. Strategic Petroleum Reserve exacerbated the effects of the production output reports. However, beyond consideration of the request, U.S. officials took no action. Additionally, the United Nations Security Council passed resolution 1266 on October 4, granting Iraq permission to sell an additional \$3 billion of crude oil to make up for the shortfall of revenue allowed under resolutions 1210 and 1153. Despite a moderate mid-month rally resulting from a number of fundamental factors, prices again turned downwards during the last days of October. Fundamental factors caused the decrease that not only affected markets outright, but influenced market technical trends. These factors in-

cluded reports of rising crude oil stock levels in the U.S., decreasing demand due to declining refining margins in both the United States and Europe, and circulation of predictions that crude oil output from both OPEC and non-OPEC sources would increase during the final quarter of 1999.

Crude oil price trends affected prices for finished products in the United States to varying degrees throughout October. The influence was particularly assertive during the initial days of the month as concern over OPEC's wellhead production gripped the market. All of the major products experienced significant losses during that period, but gasoline prices sustained the largest declines, due in part to weekly stocks reports that showed an increase gasoline inventories. By mid-month, prices had regained some lost ground as a combination of problems to refineries and transporta-

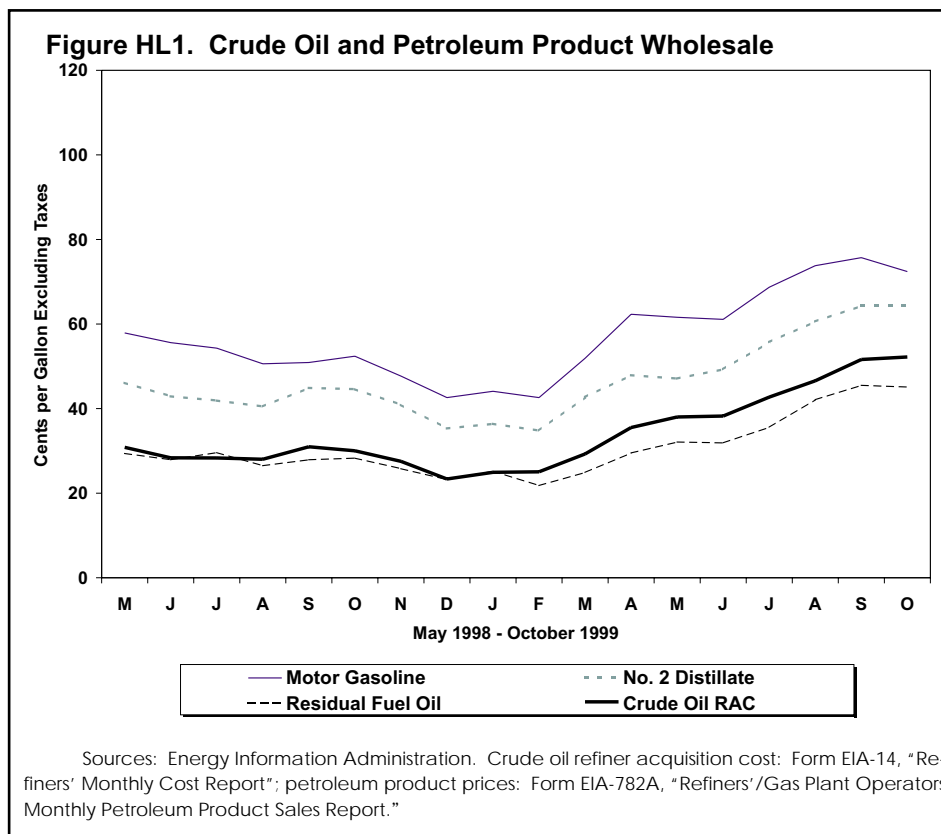


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	October 1999		September 1999		October 1998		October 1999		September 1999		October 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	87.2	60.6	88.8	59.6	66.4	65.1	72.4	308.7	75.7	306.2	52.4	298.7
Conventional	84.8	35.8	86.2	35.7	64.1	40.5	68.8	199.8	73.0	203.6	49.5	198.5
Regular	80.8	25.5	82.4	25.5	59.9	27.9	66.9	155.4	71.1	157.5	47.3	150.3
Midgrade	91.4	5.6	92.6	5.6	69.4	6.6	73.2	14.7	77.2	15.1	53.6	16.1
Premium	98.7	4.6	99.2	4.7	77.3	6.0	76.8	29.7	80.9	31.0	58.1	32.0
Oxygenated	91.2	2.4	95.6	1.9	72.6	2.1	80.9	10.1	83.7	7.2	58.2	9.3
Regular	88.5	1.9	93.5	1.6	69.5	1.6	79.4	7.6	82.8	5.5	56.1	6.7
Midgrade	98.2	0.3	101.5	0.2	78.6	0.3	79.2	1.2	81.9	1.0	59.7	1.2
Premium	107.6	0.2	110.5	0.1	87.5	0.2	91.9	1.2	93.0	0.8	67.3	1.3
Reformulated	90.7	22.3	92.4	21.9	70.0	22.5	78.6	98.8	80.9	95.4	58.1	91.0
Regular	86.3	15.3	88.2	15.1	64.9	14.6	75.2	69.3	77.5	66.7	54.4	59.7
Midgrade	96.3	3.6	97.8	3.6	75.3	3.9	84.0	9.9	85.6	10.0	62.5	10.6
Premium	104.7	3.4	106.2	3.3	83.4	4.0	88.1	19.6	90.5	18.8	66.7	20.7
Aviation Gasoline	118.4	0.1	117.7	0.1	95.1	0.2	109.8	0.7	111.9	0.9	90.7	0.7
Kerosene-Type Jet Fuel	64.4	48.1	63.7	49.0	46.9	50.6	63.5	16.0	62.5	16.6	45.9	13.2
Propane (Consumer Grade)	55.6	2.8	48.4	3.9	40.7	2.7	43.7	34.8	41.5	32.7	27.6	37.7
Kerosene	75.7	0.1	68.0	0.2	50.9	0.3	64.8	2.4	65.9	1.3	46.6	2.2
No. 1 Distillate	77.3	0.2	74.4	0.2	57.8	0.4	74.9	1.8	73.6	1.1	53.7	1.4
No. 2 Distillate	67.5	25.1	66.9	24.4	49.7	25.4	64.3	127.5	64.3	125.9	44.6	123.0
No. 2 Fuel Oil	66.0	2.9	64.4	2.7	47.9	3.2	61.2	25.3	60.9	20.2	41.2	25.8
No. 2 Diesel Fuel	67.6	22.2	67.2	21.7	50.0	22.2	65.1	102.3	65.0	105.6	45.5	97.2
Low Sulfur	69.4	14.8	68.7	14.8	51.4	15.3	65.6	89.1	65.4	91.7	45.9	83.9
High Sulfur	64.1	7.4	63.9	6.9	46.9	6.8	62.0	13.1	62.0	13.9	43.4	13.3
No. 4 Fuel^a	56.2	0.2	54.4	0.2	43.1	0.2	52.3	0.2	51.9	0.1	35.3	0.1
Residual Fuel Oil	47.8	13.0	48.3	11.3	29.7	14.1	45.1	8.5	45.5	8.4	28.2	17.2
Sulfur Content not > 1 %	51.1	3.4	49.0	2.4	33.6	4.0	47.8	3.3	48.1	4.2	31.0	5.4
Sulfur Content > 1 %	46.7	9.5	48.2	8.9	28.1	10.0	43.4	5.2	42.9	4.3	27.0	11.8

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

tion systems cropped up across the country. In addition, reports showing declines in finished product stock levels contributed to the price rally. A fire in a distillate line between Louisiana and Mississippi on the Plantation pipeline system reduced the product throughput rate for the rest of the month, helping to support prices at the start of the heating season. In the Pacific Northwest, the Olympic pipeline continued to encounter problems. After failing tests on recently repaired sections of the line, the Office of Pipeline Safety ordered shipments reduced by 20 percent. Despite the declines from September price levels, a year-to-year comparison of New York Harbor spot market prices shows considerable changes. The October monthly average spot price for West Texas Intermediate crude oil was \$13.00 per barrel in 1998 compared with \$22.69 per barrel in 1999. The October 1998 average spot price for regular gasoline was 43.5 cents per gallon while the av-

erage price was 62.7 cents per gallon this year, an increase of 19.2 cents per gallon (approximately 44 percent). For No. 2 heating oil, the average price was 38.5 cents per gallon last year and 58.4 cents this year, a difference of 19.9 cents.

Additional October market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The October daily spot price for West Texas Intermediate (WTI) crude oil retreated from September's range as concern grew over compliance to production cuts

agreements. After opening at \$24.51 per barrel, the price dropped sharply during the ensuing week, hitting to the month's low of \$20.81 per barrel on October 8. A variety of fundamental influences helped lift and support the price until the final week of the month when it yielded again to pressure emerging from a combination of technical and fundamental factors. The price closed the month at \$21.79 per barrel, \$2.71 lower than where it began the month.

- October monthly average crude oil prices show only marginal changes last month's levels. The average domestic crude oil first purchase price fell 47 cents (2.3 percent), to \$19.63 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined 67 cents (3.2 percent), to \$20.38 per barrel. The average landed cost of foreign crude oil dropped 33 cents (1.5 percent), to \$21.36 per barrel.
- The average refiner acquisition cost for domestic crude oil rose 65 cents (3.0 percent), to \$22.39 per barrel. The average cost of imported crude oil to U.S. refiners barely changed, dropping 2 cents (0.1 percent), to \$21.62 per barrel. The composite refiner acquisition cost of crude oil rose 25 cents (1.2 percent), to \$21.93 per barrel.

Petroleum Products

Motor Gasoline

During October, the daily spot price at New York Harbor for unleaded regular gasoline receded markedly from prior months' levels. After hitting the high of 70.7 cents per gallon on October 1, the price plummeted to month's low of 58.0 cents per gallon on October 8, a loss of nearly 13 cents in a week's time. After undergoing a moderate recovery, the price continued on a comparatively steady course through the rest of the month, closing at 62.1 cents per gallon.

- National average gasoline prices fell in all sales categories during October. The average price for retail sales of motor gasoline by refiners declined 1.6 cents to 87.2 cents per gallon, while the average wholesale price dropped 3.3 cents to 72.4 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 1.1 cents to 86.1 cents per gallon. The average wholesale price de-

clined 3.3 cents to 72.6 cents per gallon. The average dealer tank wagon (DTW) price decreased 1.8 cents to 81.5 cents per gallon, while the average rack price tumbled 4.0 cents to 69.6 cents per gallon. The average price for bulk sales declined 2.7 cents to 66.5 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 5.2 cents at retail and 8.2 cents at wholesale. The difference between conventional and oxygenated gasoline prices was 7.1 cents at retail and 10.1 cents at wholesale.

- Refiner gasoline sales show modest growth in most categories during October. Total sales rose 3.5 million gallons per day (1.0 percent), to an average of 369.3 million gallons per day. Retail sales increased 1.0 million gallons per day (1.7 percent), while wholesales rose 2.5 million gallons per day (0.8 percent). Rack sales made up 63.0 percent of wholesales, while DTW and bulk sales accounted for 23.6 percent and 13.3 percent, respectively. Reformulated gasoline (RFG) comprised 32.8 percent of total motor gasoline sales, while oxygenated accounted for 3.4 percent.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor followed a wide-ranging path during October. Opening at 62.0 cents per gallon, the price held to the general market trend, undergoing a steep decline during the following week's time. After reaching the low of 53.0 cents per gallon on October 8, the price rebounded and continued mostly within a high-50-cents-per-gallon range for the rest of the month. Closing at 57.2 cents per gallon, the price was 4.8 cents lower than where it started October.

- October monthly average No. 2 distillate prices increased in most categories of sales. The national average residential price showed the largest change, rising 4.6 cents to 94.7 cents per gallon, while the average wholesale price hardly moved, increasing 0.1 cent to 64.7 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 1.1 cents, while the average wholesale price increased 0.3 cent. The difference between low- and high-sulfur diesel fuel prices was 3.5 cents at retail and 2.9 cents at wholesale.
- Overall, refiner sales of No. 2 distillate rose during October. Total sales of No. 2 distillate increased 2.5 million gallons (1.7 percent), to 152.7 million gallons per day. Sales of No. 2 fuel oil jumped 5.3 million gallons per day (23.1 percent), while sales of No. 2

diesel fuel fell 2.8 million gallons per day (2.2 percent). Low-sulfur diesel fuel accounted for 83.5 percent of all refiner diesel fuel sales and 68.0 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Most October residual fuel oil prices increased from September levels. Refiner prices for low-sulfur residual fuel rose 2.1 cents to 51.1 cents per gallon at retail, but eased 0.3 cent to 47.8 cents per gallon at wholesale. The average high-sulfur residual fuel wholesale price fell 1.5 cents to 46.7 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price increased 4.3 cents to 50.5 cents per gallon at retail, and 2.1 cents to 47.3 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil inched up 0.4 cent to 48.1 cents per gallon at retail, and 0.9 cent to 45.0 cents per gallon at wholesale.
- Refiner residual fuel oil sales generally rose in October. Total sales increased 1.8 million gallons per day (9.1 percent), to 21.5 million gallons per day. Low-sulfur residual fuel sales rose 100,000 gallons

per day (1.5 percent), while high-sulfur residual fuel sales climbed 1.5 million gallons per day (11.4 percent).

Other Products

- Prices for products included in this section mainly rose during October. Refiner propane prices increased 7.2 cents per gallon at retail, and 2.2 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price jumped 6.6 cents per gallon. The average retail price for propane climbed 6.2 cents, while the average wholesale price rose 3.0 cents per gallon. Prices for kerosene-type jet fuel, No. 1 distillate, and No. 4 distillate rose at both retail and wholesale. Aviation gasoline and kerosene prices rose at retail but fell at wholesale.
- The volumes of sales by refiners for these products were mixed during October. Propane, kerosene, and No. 4 distillate sales declined at retail but increased at wholesale. Kerosene-type jet fuel and aviation gasoline sales fell at both levels, while No. 1 distillate sales increased at both retail and wholesale.

